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SUBJECT: SERBIA: FORMAL DS-SPS COALITION NEGOTIATIONS NEXT WEEK?

REF: A) BELGRADE 577, B) BELGRADE 579

Summary

1. (SBU) Informal coalition negotiations between President Tadic's Democratic Party and Ivica Dacic's Socialists have reportedly concluded, with brief formal negotiations expected the week of June 23. Tadic is widely believed to be shooting for a public announcement of a governing coalition by June 27. Foreign Minister Vuk Jeremic may use the opportunity of his travel with Tadic to New York for the June 20 UN Security Council session to push for further revisions, however. End summary.

Dacic Claims Deal is Done

2. (SBU) At the June 19 Queen's Birthday reception, a relaxed Ivica Dacic told us that he had met with President Tadic that morning and finalized the "deal" for his Socialist Party (SPS) to form a governing coalition with Tadic's Democratic Party (DS). The results would be announced in 7 to 10 days. While the Prime Minister position would go to DS -- almost certainly outgoing Finance Minister Mirko Cvetkovic -- Dacic claimed he would be double-hatted as Deputy Prime Minister in charge of foreign affairs and security and Minister of Interior. He said that SPS would also receive the Ministry of Education (Zarko Obradovic), the Ministry of Energy (Petar Skundric), and the Speaker of Parliament (Slavica Djukic Dejanovic). He added that SPS might also receive the Infrastructure Ministry for Milutin Mrkonjic, but there were unspecified complicating factors, and that the Belgrade city government issue would have to be addressed after national-level questions were settled.

3. (SBU) MFA Political Director Borislav Stefanovic assured us on June 20 that Dacic's position at the MOI would not have an adverse impact on ICTY cooperation because current presidential chief of staff Miki Rakic would be the security czar and would take the lead within the government. Stefanovic said that Rakic had orchestrated the recent arrest of ICTY indictee Stojan Zupljanin (Ref A).

4. (SBU) Contacts in the DS have told us that Cvetkovic will become Prime Minister, with Dragan Sutanovac to stay on as Minister of Defense, Vuk Jeremic to remain Foreign Minister, and Milan Markovic to remain Minister for Public Administration and Local Government. With Dacic not interested in having SPS run the Kosovo Ministry (Ref B), it may revert to DS; Goran Bogdanovic, a Kosovar Serb from DS, is said to be interested in the position.

5. (SBU) Lidija Bartus Vasiljevic, until recently foreign policy advisor to former Speaker of Parliament Oliver Dulic, confirmed to us on June 20 that Dulic is in line to head a new Ministry of European Integration. FM Jeremic is opposed to the measure due to personal animosity toward Dulic, however, and may yet block the

appointment. (Other sources have told us that Dulic may be demoted to DS party whip if he does not receive a cabinet appointment.) Vasiljevic added that the expectation among the staff in parliament was that Milutin Mrkonjic would become Speaker rather than receiving a ministerial portfolio.

Next Steps?

¶6. (SBU) Vasiljevic told us that following a board meeting on June 23, she expected the SPS to announce the official start of negotiations with DS -- which are "in reality already finished." The press and our contacts are saying almost unanimously that the negotiations are to be concluded by June 27. One external factor driving the timeline is reportedly Dacic's desire to attend the Congress of the Socialist International being held in Athens from June 30 to July 2. The main internal factor driving the timeline is the need to resolve the national question before the July 14 constitutive session of the Belgrade city assembly.

¶7. (SBU) A contact in President Tadic's office warned us on June 20 that Jeremic would use the opportunity of his trip to New York with President Tadic for the UN Security Council session on Kosovo to renew his lobbying for a promotion in the new government, possibly even seeking the PM slot. (The prospect of Dacic as DPM having the foreign affairs portfolio, if true, would give Jeremic extra impetus to push Tadic to reconsider.)

Comment

¶8. (SBU) While we are taking Dacic's claims with a grain of salt,

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given his reputation for spinning the truth, it does seem clear that progress is being made in the DS-SPS talks. If Jeremic does not capitalize on his New York trip with President Tadic to change the equation, we are hopeful that both sides will soon be ready to conclude a deal and get on with the business of making the unwieldy DS-SPS governing coalition work.

PEDERSON